ARGO PROPERTIES NV

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2023

UNAUDITED

IN THOUSANDS OF EUROS

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Auditor Review Report to the Shareholders of Argo Properties NV

Introduction

We have conducted a review of the accompanying financial information of Argo Properties NV and its subsidiaries (hereinafter – the Group), which comprises the condensed consolidated statement of financial position as of September 30, 2023 and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-months period ending on that date. The Board of Directors and Management are responsible for preparing and presenting financial information for this interim period in accordance with IAS 34, Interim Financial Reporting, and are responsible for preparing financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express our conclusions with regard to the financial information for this interim period, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of financial information for interim periods consists of inquiries, mainly from people responsible for finances and accounting, and of the application of analytical and other reviewing procedures. A review is significantly limited in scope relative to an audit conducted according to generally accepted Israeli auditing standards, and therefore does not allow us to achieve assurance that we have been made aware of all material issues that might have been identified in an audit. Accordingly, we are not expressing an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the above financial information has not been prepared, in all material aspects, in accordance with IAS 34.

In addition to the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the above financial information does not comply, in all material respects, with disclosure provisions according to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Brightman Zohar Almagor & Co
CPAs
A Firm in the Deloitte Global Network

Tel Aviv, November 20, 2023

תל אביב - משרד ראשי
מרכז עזריאלי 1 תל אביב, 6701101, ת.ד. 16593 תל אביב 6116402 | טלפון: 03-6085555 | info@deloitte.co.il

משרד ירושלים
קרית המדע 3
מגדל הר חוצבים
ירושלים, 914510
ת.ח. 45396
טלפון: 02-5018888
פקס: 02-5374173
info-jer@deloitte.co.il

משרד חיפה
מעלה השחרור 5
ת.ד. 5648
חיפה, 3105502
טלפון: 04-8607333
פקס: 04-8672528
info-haifa@deloitte.co.il

משרד אילת
המרכז העירוני
ת.ד. 583
אילת, 8810402
טלפון: 08-6375676
פקס: 08-6371628
info-eilat@deloitte.co.il

משרד נצרת
מרג' אבן עאמר 9
נצרת, 16100
טלפון: 073-3994455
פקס: 073-3994455
info-nazareth@deloitte.co.il

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)	(Unaudited)	(Audited)
	€ in thousands		
Current Assets			
Cash and cash equivalents	26,255	29,465	27,352
Financial assets – restricted bank deposits and liquidated investments	11,126	(*) 3,453	(*) 15,058
Financial assets	2,451	2,458	2,111
Accounts receivable	2,805	(*) 3,773	(*) 912
	42,637	39,149	45,433
Non-Current Assets			
Investment property	673,273	649,143	654,683
Investment property - buildings rights	15,204	5,671	8,897
Accounts receivable	499	-	2,518
Deferred taxes	394	359	-
	689,370	655,173	666,098
	732,007	694,322	711,531

*reclassified

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2023	September 30, 2022	December 31, 2022
	(Unaudited)		(Audited)
	€ in thousands		
Current Liabilities			
Current maturities of loans from banks	13,221	5,204	12,398
Accounts payable	7,755	9,337	6,794
	20,976	14,541	19,192
Non-Current Liabilities			
Loans from banks and financial institutions	335,351	277,349	294,344
Other financial liabilities	63	21	-
Deferred taxes	22,860	28,061	26,708
	358,274	305,431	321,052
Equity Attributable to Company Shareholders			
Share capital	181	181	181
Share premium	225,628	221,012	221,012
Statutory capital reserve	105,772	139,551	131,727
Share based payment capital reserve	661	3,136	3,637
Retained earnings	20,515	10,470	14,730
Total equity attributable to Company shareholders	352,757	374,350	371,287
Total equity	352,757	374,350	371,287
	732,007	694,322	711,531

November 20, 2023			
Date of approval of the financial statements	Ofir Rahamim Joint CEO	Guy Priel CFO	Nir Ilani Executive Director (**)

**See Note 6(e).

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Revenues from rental of properties	15,622	11,963	5,510	4,337	16,600
Revenues from property management and others	6,387	4,429	1,971	1,416	6,095
Property management expenses	(6,387)	(4,429)	(1,590)	(1,416)	(6,095)
Cost of maintenance of rental properties	(2,784)	(2,451)	(840)	(852)	(3,261)
Gross profit	12,838	9,512	4,670	3,485	13,339
General and administrative expenses	(4,580)	(4,170)	(1,325)	(1,436)	(5,653)
Operating profit before changes in fair value of investment property, net	8,258	5,342	3,345	2,049	7,686
Changes in fair value of investment property, excluding one time update due to change in the real estate Transfer Tax, net	(19,363)	34,332	(10,094)	4,760	27,022
Changes in fair value of investment property due to one time update in the Real estate Transfer TAX, net	(11,471)	-	-	-	-
Operating profit (loss)	(22,576)	39,674	(6,479)	6,809	34,708
Finance expenses, net	(5,789)	(3,929)	(1,916)	(1,460)	(5,523)
Change in fair value of financial assets and exchange rate differences, net	3,976	1,188	374	851	3,215
	(1,813)	(2,741)	(1,542)	(609)	(2,308)
Income (loss) before taxes on income	(24,389)	36,933	(8,291)	6,200	32,400
Taxes on income	4,219	(6,094)	1,321	(893)	(5,125)
Net income (loss)	(20,170)	30,839	(6,970)	5,307	27,275
Other comprehensive income (loss)	-	-	-	-	-
Total net and comprehensive income (loss) attributable to Company shareholders	(20,170)	30,839	(6,970)	5,307	27,275
Basic earnings (loss) per share	(1.11)	1.7	(0.38)	0.29	1.51
Diluted earnings (loss) per share	(1.11)	1.66	(0.38)	0.32	1.47

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Nine months ended September 30, 2023 (unaudited) — Equity Attributable to Company Shareholders — € in thousands					
	Share capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	Total equity attributable to Company shareholders
Balance as of January 1, 2023	181	221,012	131,727	3,637	14,730	371,287
Changes in equity during this period:						
Classification of Share based payment capital reserve for premium (*)	-	4,616	-	(4,616)	-	-
Total net and comprehensive income	-	-	-	-	(20,170)	(20,170)
Classification in accordance with Dutch law	-	-	(25,955)	-	25,955	-
Cost of share based payment	-	-	-	1,640	-	1,640
Balance as of September 30, 2023	181	225,628	105,772	661	20,515	352,757

(*) Due to expiration of options.

	Nine months ended September 30, 2022 (unaudited) — Equity Attributable to Company Shareholders — € in thousands					
	Share Capital	Share premium	Statutory capital reserve (1)	Share based payment capital reserve	Retained earnings	Total equity attributable to Company shareholders
Balance as of January 1, 2022	181	221,012	110,652	1,650	8,530	342,025
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	30,839	30,839
Classification in accordance with Dutch law	-	-	28,899	-	(28,899)	-
Cost of share based payment	-	-	-	1,486	-	1,486
Balance as of September 30, 2022	181	221,012	139,551	3,136	10,470	374,350

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont.)

	Three months ended September 30, 2023 (unaudited)					
	Equity Attributable to Company Shareholders					
	€ in thousands					
	Share capital	**Share premium**	**Statutory capital reserve (1)**	**Share based payment capital reserve**	**Retained earnings**	**Total equity attributable to Company shareholders**
Balance as of July 1, 2023	181	221,012	114,269	4,946	18,988	359,396
Changes in equity during this period:						
Classification of Share based payment capital reserve for premium (*)	-	4,616	-	(4,616)	-	-
Total net and comprehensive income	-	-	-	-	(6,970)	(6,970)
Classification in accordance with Dutch law	-	-	(8,497)	-	8,497	-
Cost of share based payment	-	-	-	331	-	331
Balance as of September 30, 2023	181	225,628	105,772	661	20,515	352,757

(*) Due to expiration of options.

	Three months ended September 30, 2022 (unaudited)					
	Equity Attributable to Company Shareholders					
	€ in thousands					
	Share Capital	**Share premium**	**Statutory capital reserve (1)**	**Share based payment capital reserve**	**Retained earnings**	**Total equity attributable to Company shareholders**
Balance as of July 1, 2022	181	221,012	135,544	2,635	9,170	368,542
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	5,307	5,307
Classification in accordance with Dutch law	-	-	4,007	-	(4,007)	-
Cost of share based payment	-	-	-	501	-	501
Balance as of September 30, 2022	181	221,012	139,551	3,136	10,470	374,350

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont.)

	Year ended December 31, 2022 (Audited)					
	Equity Attributable to Company Shareholders					
	€ in thousands					
	Share Capital	Share premium	Statutory capital reserve (1)	Share based payment Capital reserve	Retained earnings	Total equity attributable to Company shareholders
Balance as of January 1, 2022	181	221,012	110,652	1,650	8,530	342,025
Changes in equity during this period:						
Total net and comprehensive income	-	-	-	-	27,275	27,275
Classification in accordance with Dutch law	-	-	21,075	-	(21,075)	-
Cost of share based payment	-	-	-	1,987	-	1,987
Balance as of December 31, 2022	181	221,012	131,727	3,637	14,730	371,287

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Cash flows from operating activities:					
Net income (loss)	(20,170)	30,839	(6,970)	5,307	27,275
Adjustments required to present net cash from operating activities:					
Adjustments to profit or loss:					
Finance expenses, net	1,971	2,717	1,433	609	2,308
Changes in fair value of investment property, net	30,834	(34,332)	10,094	(4,760)	(27,022)
Cost of share based payment	1,640	1,486	331	501	1,987
Deferred taxes, net	(4,242)	6,140	(1,327)	860	5,146
Cash flows from operating activities before changes in asset and liability items	10,033	6,850	3,561	2,517	9,694
Changes in operating assets and liabilities items:					
(Increase)/decrease in other receivables	(1,044)	(774)	48	(232)	(1,098)
Increase/(decrease) in accounts payable	935	(114)	(257)	246	246
Net cash flows derived from operating activities	9,924	5,962	3,352	2,531	8,842
Cash flows from investing activities:					
Purchase of investment property	(52,909)	(126,798)	(6,010)	(43,859)	(143,371)
Additions in respect of investment property	(4,169)	(2,548)	(1,654)	(797)	(3,714)
Realization (purchase) of financial assets	-	1,850	-	-	1,850
Depositing restricted deposits and prepaid transaction costs, net	5,103	705	(1,252)	76	(10,234)
Net cash used in investing activities	(51,975)	(126,791)	(8,916)	(44,580)	(155,469)

The accompanying notes are an integral part of the interim consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

	Nine months ended September 30,		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	€ in thousands				
Cash flows from financing activities:					
Interest paid / received, net	(3,987)	(2,021)	(1,138)	(705)	(4,762)
Receipt of long-term loans, net	33,877	146,062	14,617	20,211	130,657
Repayment of long-term loans and associated costs	(5,035)	(28,623)	(1,862)	(1,264)	(4,871)
Receipt of long-term loans under refinancing	16,750	-	-	-	45,000
Repayment of long-term loans under refinancing	-	-	-	-	(25,001)
Purchase of interest cap fixing transactions (CAP)	(485)	-	-	-	(1,728)
Net cash derived from (used for) financing activities	41,120	115,418	11,617	18,242	139,295
Change in cash and cash equivalents	(931)	(5,411)	6,053	(23,807)	(7,332)
Effect of changes in exchange rates	(166)	(200)	28	447	(392)
Balance of cash and cash equivalents at the beginning of the period	27,352	35,076	20,174	52,825	35,076
Balance of cash and cash equivalents at the end of the period	26,255	29,465	26,255	29,465	27,352

(a) Non cash transactions

Acquisitions and investment in properties versus Payables	(341)	(2,157)	(341)	(2,258)	(3,540)

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: - **General**

ARGO Properties N.V. ("the Company") was incorporated in January 2018 and commenced its operations in July 2018 and is a Dutch-based real estate company engaging via investees in the acquisition and management of investment properties in Germany in the area of income generating residential real estate and income-generating development real estate. In May 2021, the Company issued shares under an IPO in Israel.

These financial statements have been prepared in a condensed format as of September 30, 2023 and for the nine-months and three-months period then ended (hereinafter – the Consolidated Interim Financial Statements). These statements should be read in conjunction with the annual financial statements as of December 31, 2022 and for the year then ended and the accompanying notes (hereinafter – the Consolidated Annual Financial Statements).

Note 2: - **Significant accounting policies**

a. Preparation format of the Interim Consolidated Financial Statements:

The Consolidated Interim Financial Statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and in accordance with the provisions of disclosure pursuant to Chapter D of the Securities (Immediate and Periodic Reports) Regulations, 1970.

b. The significant accounting policies implemented in preparing the Interim Consolidated Financial Statements are consistent with those implemented in preparing the Consolidated Annual Financial Statements, excluding section c below.

Note 3: - Investment Property

The following table presents significant assumptions (based on weighted averages) that were used in the valuation of investment property:

	September 30, 2023	December 31, 2022
Income-generating residential property (real estate):		
Discount rate (%)	4.54%	4.14%
Growth Rate for a period of first 10 years	1.88%	1.79%
Long-term growth rate	1.13%	1.06%
Long-term vacancy rate (%)	1.62%	1.63%
Representative monthly rental fees per sqm. (in Euro)	10.51	10.20

During the period the company have recognized a loss of approximately EUR 19.4m due to change in the fair value of investment properties mainly due to changes in the valuation main assumption as describe above which were off set with the growth in the rent form the Company’s properties. In addition, during the first quarter of 2023, a one-time devaluation amounting to approximately EUR 11.5 million has been recognized due to an increase in the Real Estate Transfer Tax which is reflected in the fair value of all the Company’s properties in Leipzig and Dresden.

Note 4: - Financial instruments

a. Financial instruments not measured at fair value:

The Company’s management has estimated that the balance of cash, short term deposits, accounts (trade) receivable(s), accounts (trade) payable(s), overdrafts, bank loans bearing a variable interest rate and other current liabilities presented at amortized cost approximates their fair value.

The valuation of loans from banking corporations and financial institutions as of September 30, 2023 that bear a fixed interest rate and are presented at amortized cost, is lower by approximately EUR 26.7 million than their balance value in the financial statements.

b. Financial instruments measured at fair value:

The table below presents the financial assets and the financial liabilities of the group according to book value and the following table presents the above according to fair value:

	Book value		
	September 30		December 31
	2023 Unaudited	2022 Unaudited	2022 Audited
	EUR in thousands		
Financial derivatives	2,451	2,458	2,111
	(63)	(21)	-
Financial liabilities	2,388	2,437	2,111

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 4: - Financial instruments (cont.)

The table below presents the financial assets and the financial liabilities of the group according to fair value:

	Fair value		
	September 30		December 31
	2023 Unaudited	2022 Unaudited	2022 Audited
	EUR in thousands		
Financial derivatives	2,451	2,458	2,111
	(63)	(21)	-
Financial liabilities	2,388	2,437	2,111

The fair value of financial instruments which are not traded in active markets is determined using valuation techniques. Valuation techniques specific to financial instruments include:

- The fair value of interest swap agreements (SWAP) and interest cap fixing transactions (CAP) is based on a calculation of the present value of the estimated future cash flows using observable return curves of Euribor.

Note 5: - Operating Market Segments

a. General

For the description of the Company's operating market segments see note 16 of the Consolidated Financial Statements as of December 31, 2022.

b. Operating segments revenue and results analysis:

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of nine months ended September 30, 2023 (unaudited)			
Revenues from property rental	15,099	523	15,622
Revenues from property management and others	6,326	61	6,387
Property management expenses	(6,326)	(61)	(6,387)
Rental property maintenance expenses	(2,700)	(84)	(2,784)
Gross profit	12,399	439	12,838
General and administrative expenses			(4,580)
Changes in fair value of investment property, net	(30,834)	-	(30,834)
Financial expenses, net			(1,813)
(Loss) before taxes on income			(24,389)

Note 5: - Operating Market Segments (Cont.)

b. Operating segments revenue and results analysis (cont.)

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of nine months ended September 30, 2022 (unaudited)			
Revenues from property rental	11,443	520	11,963
Revenues from property management and others	4,168	61	4,229
Property management expenses	(4,168)	(61)	(4,229)
Rental property maintenance expenses	(2,375)	(76)	(2,451)
Gross profit	9,068	444	9,512
General and administrative expenses			(4,170)
Changes in fair value of investment property, net	34,525	(193)	34,332
Financial expenses, net			(2,741)
Income before taxes on income			36,933

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of three months ended September 30, 2023 (unaudited)			
Revenues from property rental	5,335	175	5,510
Revenues from property management and others	1,951	20	1,971
Property management expenses	(1,951)	(20)	(1,971)
Rental property maintenance expenses	(812)	(28)	(840)
Gross profit	4,523	147	4,670
General and administrative expenses			(1,325)
Changes in fair value of investment property, net	(10,094)	-	(10,094)
Financial expenses, net			(1,542)
(Loss) before taxes on income			(8,291)

Note 5: - Operating Market Segments (Cont.)

b. Operating segments revenue and results analysis (cont.)

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
For the period of three months ended September 30, 2022 (unaudited)			
Revenues from property rental	4,154	183	4,337
Revenues from property management and others	1,196	20	1,416
Property management expenses	(1,196)	(20)	(1,416)
Rental property maintenance expenses	(839)	(13)	(852)
Gross profit	3,315	170	3,485
General and administrative expenses			(1,436)
Changes in fair value of investment property, net	4,859	(99)	4,760
Financial expenses, net			(609)
Income before taxes on income			6,200

	Income-generating residential real estate	Income-generating real estate for development	Total
	Euros in thousands		
Year ended December 31, 2022 (audited)			
Revenues from property rental	15,919	681	16,600
Revenues from property management and others	6,013	82	6,095
Property management expenses	(6,013)	(82)	(6,095)
Rental property maintenance expenses	(3,163)	(98)	(3,261)
Gross profit	12,756	583	13,339
General and administrative expenses			(5,653)
Changes in fair value of investment property, net	31,489	(4,467)	27,022
Financial expenses, net			(2,308)
Income before taxes on income			32,400

Note 6: - <u>Material Events In The Reported Period And Thereafter</u>

a. During the reported period, the Company completed (via subsidiaries and sub-subsidiaries) the purchase of 370 apartments in 36 buildings for a total consideration of approximately EUR 51,641 thousand. In addition, the Company engaged in further transactions (including agreements after the report date) for the purchase of 139 apartments in a total consideration of approximately EUR 19,799 thousand.

b. Refinancing as a result of property value enhancement:

- During October 2022, the Company entered into refinancing agreements with two German financial institutions (hereinafter: the "Banks") for a total amount of approximately EUR 79 million which embodies an LTV of approximately 42.7% (upon the book value of the pledged assets), which would increase by approximately EUR 23 million the remaining balance of current five loans of a total amount of approximately EUR 56 million (hereinafter: the "Current Loans"), which the Company's subsidiaries have drawn during the years of 2019 and 2020 from the abovementioned Banks (hereinafter: the "New Loans").

  The Current Loans bear a fixed (weighted) annual interest rate of approximately 0.99% and their final repayment date is due in 2025 – 2027 and are secured by first-ranking liens on the full rights of the subsidiaries in 81 buildings which comprise of 878 units (with a total area of 56,462 square meters) in the cities of Leipzig, Dresden and Magdeburg in Germany, which their aggregate book value is about EUR 168.9 million (as of the reporting date) (hereinafter: the "Asset Companies" and the "Assets", respectively).

  The refinancing process is enabled due to a value enhancement of these assets on the initial financing date by the abovementioned Banks, close to the date of their acquisition during the second half of 2019 and in the first half of 2020 - as of the loans' underwriting date. It is clarified that the refinancing process was carried out by drawing new loans in addition to the current loans without any change in their terms ("Top up").

  As a result:

  1. On November 2022, the Company entered through its sub-subsidiaries into two additional non-recourse loan agreements with a German banking corporation at a total amount of approximately EUR 12.7 million for a period of 5 years. The loans bear a variable interest rate based on a 3 months Euribor rate with an additional margin of 1.29% per annum. The Company entered agreements to fix the Euribor rate cap to a maximum level of 2.5% in return of EUR 505 thousand. An amount of EUR 5 million of the total loans was drawn down in December 2022, the remaining balance of EUR 7.7 million of the loans was drawn down in January 2023. In accordance with the loan agreement between the Company and the German banking corporation, the Company estimates that during 2024 it will be able to draw down approximately EUR 4 million, subject to the continued improvement of the operating parameters.

  2. On December 2022, the Company entered through its sub-subsidiaries into three additional non-recourse loan agreements with a German banking corporation at a total amount of EUR 6.55 million for a period of 5 years. These loans bear a variable interest rate based on a 3 months Euribor rate with an additional margin of 1.51% per annum. The drawing down of the loans was carried out during March 2023. Upon drawing down the loans the Company entered into agreements to fix the Euribor rate cap to a maximum level of 3% in return of EUR 216 thousand.

Note 6: - <u>Material Events In The Reported Period And Thereafter (Cont.)</u>

- During April 2023, the Company's sub-subsidiaries entered into an additional loan agreement with a German banking corporation which increases the remaining balance of the current loans, that these sub-subsidiaries have taken in the past from a total amount of approximately EUR 19.1 million to a total amount of approximately EUR 21.6 million. The abovementioned increase of the total amount of loans is to be repaid on April 30, 2026 and bears a fixed interest rate of 4.61%. The drawing down of the loan was carried out during the second quarter of 2023.

- During the third quarter of 2023, the Company's sub-subsidiaries entered into an LOI with a German banking corporation regarding taking loans for refinancing of current loans from another German banking corporation (hereinafter: the "Previous Bank"). The remaining balance of current loans as of the report date is at the amount of approximately EUR 26.8 million (hereinafter: the "Current Loans"), the scope of the refinancing is expected to increase the remaining balance of current loans by approximately EUR 7.2 million. In accordance with the LOI agreement, the new loans would be able to be drawn down for a period of 5 years following the loans' underwriting due date, the loans' interest rate will be based on a margin of 130 points above the Euribor rate, and the refund of the loans will be carried out by a one-time payment at the time of drawing down the loans. The loan agreement is expected to be signed during the fourth quarter of 2023.
  It should be noted that regarding the current loans, an amount of EUR 6.5 million is due to loans bearing a variable interest rate which are expected to be drawn down at the time of executing the refinancing. The remaining balance of the current loans at the amount of approximately EUR 20.3 million bears a fixed interest rate of between 0.94% to 1.1% and is to repaid in July and December 2026. The Company received an indication from the Previous Bank that the remaining balance of the current loans bearing a fixed interest rate and their terms would be maintained and would be used for the purpose of:

  a. Financing the acquisition of new assets upon which the Company's sub-subsidiaries entered into notary purchase agreements at the amount of approximately EUR 10.5 million.

  b. Refinancing at a manner of "Top Up" to other loans that the Previous Bank has provided to the Company's sub-subsidiaries at the amount of approximately EUR 7.7 million.

  c. The remaining balance of the current loans bearing a fixed interest rate would be deposited in a deposit bearing an interest rate with accordance to the current market conditions and would be designated to be used for the purpose of financing a future acquisition of new assets by the Company via its sub-subsidiaries. The said engagement is subject to valuation by real estate appraisers, to the approval of the Previous Bank's credit committee and to entering renewed agreements with the bank. According to the Company's estimate, the said engagement is expected to be signed during the first quarter of 2024.

- During the third quarter of 2023, the Company's sub-subsidiaries engaged with a German banking corporation regarding refinancing of a current loan, which its original due date was set for December 31, 2023, in order to finance the Company's properties in the operating segment of real estate for development for additional 5 years. The remaining balance of current loans as of the report date is at the amount of approximately EUR 6.8 million. The scope of the refinancing is expected to increase the balance of the current loans to an amount of approximately EUR 7.5 million. The new loans will bear an interest rate with an additional margin of 193 points above the Euribor rate (3.95% as of 30/9/2023). The drawing down of the loans is expected to be carried out by the end of 2023.

Note 6: - Material Events In The Reported Period And Thereafter (Cont.)

c. Financing of new acquisitions:

- During December 2022, the Company's sub-subsidiaries entered into two non-recourse loan agreements with a German banking corporation at a total amount of approximately EUR 20 million for a period of 5 years, bearing a fixed interest rate of 3.95%. The drawing down of the loans was carried out at the end of March 2023.

- During April 2023, a Company's sub-subsidiary entered into a non-recourse loan agreement with a German banking corporation at a total amount of approximately EUR 1.8 million for a period of 3 years, bearing a fixed interest rate of 4.15%. The drawing down of the loan was carried out during the third quarter of 2023.

- During the second quarter of 2023, the Company's sub-subsidiaries entered with a German banking corporation to engage in non-recourse loan agreements at a total amount of approximately EUR 13 million for a period of 5 years, bearing an interest rate of 4.18%. The drawing down of these loans was carried out during the third quarter of 2023.

d. The new plans:

On January 19, 2023, the Company's board of directors approved a new plan for the allocation of options to employees and service providers who are not Israeli residents employed by Argo Properties N.V. group (hereinafter: the "2023 plan") as well as a new plan for the allocation of options to employees who are residents of Israel according to Section 102 of the Income Tax Ordinance (new version), 1961 (hereinafter: the "Ordinance"), in the capital gain track (hereinafter: the "102/2023 Plan", 2023 Plan and 102/2023 Plan shall be referred to collectively hereinafter as: the "New Plans").

On January 19, 2023, the remuneration committee and the Company’s board of directors approved, as part of and in accordance with 102/2023 plan and subject to the required approvals (including - without derogating from the generality of the foregoing - the approval of the general meeting of the Company's shareholders) to allocate to each of the Messrs. Ofir Rahamim (hereinafter: "Rahamim") and Gal Tenenbaum (hereinafter: "Tenenbaum"), the joint CEOs of the Company, at no consideration, non-marketable options at a total value of NIS 7,675 thousand and NIS 7,849 thousand respectively and in a total value (for both) of about NIS 15,525 thousand (hereinafter: the "Private allocation to the joint CEOs"), for a period of three years as of July 1, 2023.

Below are the main terms of the New Plans:

The exercise price of each warrant is NIS 77.13 (without linkage to any index or currency) and the amount of warrants that can and will be allocated by the virtue of the plan will amount to 2,048,904 warrants.

The "vesting periods" and "vesting dates" – the warrants will have 3 vesting periods of one, two and three years, starting from July 1, 2023. It is clarified that starting from the end of the third vesting period (i.e. – starting from the third vesting date) and for a period of 12 months from that date until June 30, 2027 (hereinafter: "the end of the exercise period"), the option holder shall be entitled to exercise all his options, which have not yet been exercised.

Expiration date - June 30, 2027.

Note 6: - Material Events In The Reported Period And Thereafter (Cont.)

Payment of exercise price – in shares only according to the net exercise mechanism (**Cashless**) according to which new shares will be allocated to the offerees with accordance to the average share price in the period of 30 days prior to the exercise notice as defined in the option plan. The offeree will not be required to pay the Company the exercise price of the warrants, but only the par value of the Company's shares to be allocated to him.

On March 9, 2023 (abovementioned: "the date of the meeting"), the general meeting of the Company's shareholders approved the new remuneration policy of the Company as well as the private placement of 1,309,169 options to the Company's joint CEOs. These options were allocated by the Company to a trustee for the joint CEOs on July 2, 2023 in accordance with the 102/2023 plan.

On August 23, 2023 the remuneration committee and the Company's board of directors approved the allocation of the remaining 739,735 options powered by the new plans to additional officers in the Company who are not CEOs (to the Messrs. Fred Ganea (VP of Strategy, Transactions and Financing) (hereinafter: "Ganea"), Guy Priel (Chief Financial Officer) (hereinafter: "Priel"), **Amir Ghahremani** (VP of Business Development) (hereinafter: "**Ghahremani**"), and **Rene Deschner** (Chief Operating Officer) (hereinafter: "**Deschner**")). 389,238 options of the said amount were allocated to a trustee for Messrs. Ganea and Priel on October 5, 2023 in accordance with the 102/2023 plan and the remaining 350,497 of the options were allocated to the Messrs. **Ghahremani** [1] and **Deschner** on the same date in accordance with the 2023 plan.

The fair value of each warrant to be allocated to the joint CEOs and to additional officers who are not CEOs (calculated in accordance with the terms of the plan and the conditions of the market on the date of the approval by the relevant organ by an external appraiser according to the Black and Sholes formula), and is approximately NIS 6.55 and NIS 5.29 per each warrant respectively and in a total amount of approximately NIS 12,492 thousand for all the warrants. The said fair value was calculated based on the closing price of the Company's share in the stock exchange on the date of the meeting (NIS 54.03 with regards to the joint CEOs), and on the date of approval of the Company's board of directors (NIS 50.95 with regards to officers who are not CEOs), an exercise price of NIS 77.13, 3 vesting periods according to the terms of the plan, a maximum exercise period of 4 years from the date the option was granted (and according to the date of the allocation's approval based on "**Simplified method**" the option expected term is 3.2 years for the joint CEOs and 2.9 years for officers who are not CEOs), an annual standard deviation of 29%-31%, and a risk-free interest rate in the range of 3.96%-4.29%, expected dividend rate – 0% and a maximum dilution factor of approximately 6%.

[1] To the company Red Coast Capital GmbH, which is, to the Company's best knowledge, a private company fully owned and controlled by Mr. Ghahremani.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 6: - Material Events In The Reported Period And Thereafter (Cont.)

The extension of current plans **ESOP1A**:

In lieu of the **ESOP1** option plan (for further information please refer to note 11c in the annual accounts of the Company) and the options allocated by its virtue with the establishment of the

Company and were expired "out of the money" and without being exercised on September 30, 2023, the Company's board of directors approved on September 7, 2023 an additional plan for the allocation of options to employees and service providers who are not Israeli residents employed by Argo Properties N.V. group (hereinafter: the "**ESOP1A** 9/2023 plan") as well as an additional plan for the allocation of options to employees who are residents of Israel according to Section 102 of the Ordinance, in the capital gain track (hereinafter: the "**ESOP1A** 102/9/2023 Plan", 9/2023 Plan and 102/9/2023 Plan shall be referred to collectively hereinafter as – "**ESOP1A**") and thus in order to extend the exercise period of the "initiation fees" (**ESOP1**) by additional 33 months.

On August 31, 2023 and on September 7, 2023, respectively, the remuneration committee and the Company's board of directors approved the allocation, free of charge, of 2,170,560 non-tradable options (**ESOP1A**) to Company's officers exercisable into 2,170,560 Company shares, including 636,286 non-tradable options to Tenenbaum, a joint CEO in the Company, and 694,991 non-tradable options to Rahamim, a joint CEO in the Company.
The terms of the non-tradable options (**ESOP1A**) which would be allocated by virtue of the ESOP1A plan shall be identical in all material respects to the terms of the non-tradable options (**ESOP1**), which were expired (without being exercised) on September 30, 2023, with the exception of the following changes:

1. With regards to the amount of options that shall be granted to Tenenbaum, the amount of options will be decreased by 10% with regards to the amount of non-tradable options (ESOP1) which were originally allocated to him;
2. With regards to the options that shall be granted only to the joint CEOs of the Company, the additional exercise price of the options will increase from NIS 59.33 per share to NIS 65 per share (approximately 27% "out of the money" as of September 7, 2023);
3. With regards to the whole plan - the vesting period shall be extended till the end of December 2024, the exercise period shall be extended till the end of June 2026;
4. The method of the options exercise would be only by a Cashless mechanism - the options can be excercised only by a net exercise mechanism;
5. With regards to 636,286 options which shall be granted to Tenenbaum, it was determined as for the net exercise mechanism, that in spite of the calculation based only on the average closing prices, the calculation will be determined by the lower of: (i) average closing share prices; and (ii) the EPRA NTA per share value, as specified in the Company's Board of Directors Report which was published by the Company prior to the exercise date (hereinafter: the "Exercise Cap").

On October 16, 2023 the general meeting of the Company's shareholders approved the amendment of the Company's remuneration policy as well as the allocation of the 2,170,560 options to the joint CEOs and to the Company's officers according to the above-mentioned. 1,808,458 options of the said amount were allocated by the Company to a trustee for the joint CEOs and for the Messrs. Ganea and Priel on November 5, 2023 in accordance with the **ESOP1A** 102/9/2023 plan and the remaining 362,102 options were allocated to the Messrs. **Ghahremani** and **Deschner** on the same date in accordance with the **ESOP1A** 9/2023 plan.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 6: - Material Events In The Reported Period And Thereafter (Cont.)

e. Due to the absence of Mr. Ron Tira the Chairman of the Company's Board of Directors from the meeting of the approval of the financial statements, the Company's Board of Directors approved in its meeting on November 20, 2023 that Mr. Nir Ilani, who serves as an executive director, will sign the financial statements on behalf of Mr. Ron Tira, the Chairman of the Board.